



DEPARTMENT OF THE ARMY

U.S. Army Corps of Engineers  
WASHINGTON, D.C. 20314-1000

REPLY TO  
ATTENTION OF:

14 OCT 1998

CEMP-MD /CEMP-EE (415)

MEMORANDUM FOR COMMANDERS, MAJOR SUBORDINATE COMMANDS

SUBJECT: Post-Award Engineering Services

1. References:

a. DoD Financial Management Regulation, Volume 3, Chapter 7, Paragraphs C & D, dated December 1996.

b. ER 415-1-16, 30 Sep 93, Construction Fiscal Management

c. ER 5-1-11, 27 Feb 98, Program and Project Management

d. Memorandum, CEMP-EC, 31 Jul 98, subject: As-Built Drawings

2. Engineering and design services provided during construction are critical to the completion of quality facilities for our customers. Unfortunately, our funding processes and tracking mechanisms are confusing, frequently misinterpreted, and applied inconsistently. As a result, customers frequently misunderstand our costs for engineering during construction, viewing them as an unanticipated additional fee for managing their projects. This undermines USACE credibility.

3. The enclosed policy will be implemented for all FY 99 and later year projects. The policy requires that project managers include estimated costs for engineering services during construction in project budgets as early as possible. Engineering and design services performed after construction contract award will continue to be funded from construction appropriations, but will be accounted for as design costs. "Engineering During Construction" is eliminated as a line item/funding category in project construction working estimates.

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4. Our goal is increased cost accountability and greater discipline in establishing requirements for engineering services during construction. As such, I believe our customers will benefit from the new policy. Please inform all affected customers of the new policy, in writing, within 60 days. I also strongly encourage personal dialogue with customers on this policy. My points of contact for this action are Mr. Aly Samahy, CEMP-MD, (202) 761-8636 and Mr. Ron Hatwell, CEMP-EE, (202) 761-1240.

FOR THE COMMANDER:

Encl

  
MILTON HUNTER  
Major General, USA  
Director of Military Programs

CF:

All District Commanders

## USACE Policy on Post-Award Engineering Services for Military Projects

### 1. References:

- a. DOD Financial Management Regulation, Volume 3, Chapter 7, Paragraphs C & D, dated December 1996.
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### 2. Project Budgets:

- a. Upon receipt of authorization to initiate a project, the PM in conjunction with the project team will prepare a project budget incorporating all estimated costs associated with the engineering, design, management and construction of the project. This budget should be updated as required during the life of the project.
- b. The PM will be responsible for tracking and managing the total project budget in conformance with statutory regulations. Project expenditures tracked and posted in CEFMS by the PM and the project team must reflect the activities on which they are expended immaterial of the funding source, i.e. design expenditures whether expended prior to construction award (using design appropriations) or after construction award (using construction appropriations) to correct design deficiencies or omissions shall be reflected in CEFMS as design expenditures.

### 3. Policy and Process for Post-award Engineering Services:

- a. Each project requires a budget for all work including engineering, design, construction and management costs for the entire project during the delivery process. Project team members should be held accountable for managing to this budget and therefore need to be involved in the development process.
- b. The budget for engineering and design should include both the traditional pre-award development of engineering products (site investigations, concept designs, solicitation documents, plans and specs) plus those products developed during the construction period in order to complete the project design. In cases where the constructor is required to prepare designs, the design budget will include the government cost of reviewing this design. Where the designer is required to make site visits for the purposes of verifying design assumptions, these costs should also be included in the design budget. Where the construction contract method is IDIQ, the design budget would also include scoping activities for task orders.

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c. For design-build projects, the design budget will include costs for RFP development and review of the contractor's design submission. Planning and Design (P&D) funds (or other appropriate design funds for non-MILCON projects) will be used for all design activities up to contract award. If the project programming document states that the project will be executed using design-build procedures, then construction funds will be used to review the contractor's design submittals. If the project programming document does not stipulate the acquisition method, then the Contracting Officer shall make a determination prior to contract award regarding whether P&D funds or construction funds (other than S&A) will be used to review the contractor's design submittals to confirm compliance with the intent of the RFP. Once this determination has been made, no deviation in the source of funding may be made. In no case will P&D funds be used after award of a design-build contract for any purpose other than review of the contractor's design submittals. If construction funds are being used for the Government's review of contractor design submittals, the estimated costs for the Government review will be included in the construction working estimate (CWE) as a separate line item. Costs for review of the contractor's design submittals shall be recorded and tracked as engineering and design (E&D) costs, regardless of the fund source.

d. Planning and Design (P&D) funds will fund all engineering and design activities for MILCON projects up to construction contract award (the appropriate source of design funds will be used for non-MILCON projects). After construction contract award the costs of design and design related activities, including correction of design errors and omissions, will be funded from project construction contingency funds. However, costs need to be recorded and tracked as engineering and design costs immaterial of the fund source. All activities relating to verifying construction compliance with plans and specifications will be S&A funded. It is Corps policy that record drawings (as-builts) are to be provided under the construction contract. There is no longer to be any set-aside of funds for as-built drawings. Review of final as-built drawings and transmittal to the customer shall be an S&A funded activity.

e. Work related to within scope, user requested and discretionary changes will be funded from project contingencies. Likewise, any other engineering or design or activities required to accommodate conditions that were unknown at the time of budget approval would be funded from contingencies. Examples of such unknown conditions include differing site conditions, review of Value Engineering Contractor Proposals, modification of Government Furnished Property requirements, suspension of work to accommodate unknown conditions, mandatory changes in criteria, evaluation of potential A-E responsibility and similar conditions not derived from an error or omission that occurred during the design process. These design costs will be funded and accounted as construction costs.

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f. At project award, the PM will update the project budget to reflect actual construction award costs. This budget, known as the Construction Working Estimate (CWE), will no longer include a line item called EDC or as-builts, but will allocate funds for contingencies based on the rate established by the project DD Form 1391 or other programming document. The CWE shall include the following items:

- **Estimated Construction Cost (ECC)** consisting of direct contract costs for primary facilities, supporting facilities, additive/optional/alternate bid items, supporting contracts (such as government furnished material (GFM) or utility contracts, and service orders (telephone connections or DPW/BCE work).
- **Contingencies** (for unforeseen changes and all government engineering and design costs during construction)
- **Review of Contractor Design Submittals** (for design-build projects only)
- **Supervision & Administration (S&A)**
- **Other Direct Costs without S&A**, such as category E & F equipment for medical projects.